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3 August 1983

MEMORANDUM FOR THE RECORD

FROM :   
Chief, International Finance Branch

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SUBJECT : 2 August IG-IEP Meeting

1. Treasury Assistant Secretary Marc Leland called a meeting of the Interdepartmental Group on International Economic Policy to set up yet another working group to assess US policy responses to the international debt problem. In this case, the topic was protectionist trade policies. (A working group on use of Exim and CCC credit guarantees was reported earlier.) The IG was instructed to prepare a paper for presentation to the Senior Interdepartmental Group on International Economic policy (SIG-IEP) later this month or next. I do not anticipate a role for CIA beyond review of and comment on drafts circulated by the working group chair, Robert Lighthizer, Deputy US Trade Representative, which are drawn from a number of ongoing studies of US trade policy.

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2. The working group will look at several aspects of trade policy as it relates to LDC debt problems.

- o The nature and effect of US and other industrial country restrictions on imports from LDCs, especially those with debt problems.
- o Restrictions on trade among LDCs.
- o Ranking according to a scale of "bothersomeness" of LDC trade restrictions on US products.
- o Whatever flexibility the Executive Branch may have under existing laws and the current political climate to trade off US restrictions for a reduction in LDC restrictions.
- o The role of the IMF and other policy institutions in formulating or adjusting trade policies.

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3. The IG-IEP was obviously less comfortable with this topic than it was earlier with the credit guarantee issue and had difficulty focusing on both the trade and debt problems affecting the global economy. Two important questions were unresolved:

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- o Is the issue one of balance of payments relief for debtor LDCs or one of promoting US exports? A balanced elimination of trade restrictions on both sides — the US and the LDCs — may result in no net improvement, and perhaps even deterioration, in LDC trade and current accounts balances.
- o How can discriminatory trade relief for key LDC debtors be reconciled with a host of other GATT and MFN (most favored nation) conventions to which the US subscribes?

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I will circulate whatever papers become available over the next several weeks.



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